

S E C R E T SECTION 01 OF 03 KUWAIT 001733

SIPDIS

EB/ESC/TFS MSIDDIQUI, S/CT TKUSHNER, NEA/ELA DBARON
NEA/ARPI TWILLIAMS, NEA/I-ECON K. BRONSON, IO/PSC
JSCHWEITZER
NSC FOR JKEMERSON
TREASURY FOR JZARATE, OFAC RWERNER
MANAMA FOR JBEAL
TREASURY FOR DGLASER, RLEBENSON, AND MEPSTEIN

E.O. 12958: DECL: 04/19/2015

TAGS: EFIN PTER KTFN KU

SUBJECT: DAS GLASER DISCUSSES TERROR FINANCE LEGISLATION
WITH GOVERNOR OF CENTRAL BANK OF KUWAIT AND ATTORNEY
GENERAL'S OFFICE

REF: A. 2005 KUWAIT 1557

- 1B. 2005 STATE 59301
- 1C. 2005 STATE 26825
- 1D. 2004 KUWAIT 1107
- 1E. 2004 KUWAIT 0510
- 1F. 2004 KUWAIT 0480
- 1G. 2003 KUWAIT 5537
- 1H. 2003 KUWAIT 5415

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d)

11. (U) SUMMARY: Ambassador and Treasury DAS Daniel Glaser met with the Governor of the Central Bank of Kuwait on April 17, 2005. During the visit, DAS Glaser discussed the designation of Muhsin Al-Fadhli and inquired about any accounts that the Central Bank had frozen in response to that designation. Glaser also asked about the status of the \$78 million in Iraqi assets that Kuwait currently is holding and when they can be expected to be transferred to the DFI. The meeting concluded with a discussion of the status of Kuwait's new terrorist financing laws and an offer from the Embassy to have an upcoming visiting delegation from the Department of Justice meet with the Central Bank staff. Later the same day, DAS Glaser also met with the Attorney General of the Money Prosecution Department to discuss that organization's role in the drafting of new terrorist financing legislation.
END SUMMARY.

Muhsin Al-Fadhli

12. (S) During an April 17 call on the Governor of the Central Bank of Kuwait Shaykh Salem Abdulaziz Al-Sabah, Ambassador and visiting Treasury DAS Daniel Glaser discussed the recent designation of Kuwaiti citizen Muhsin Al-Fadhli under E.O. 13224 (Ref C) and asked if the Central Bank had frozen any Al-Fadhli accounts in Kuwait. The Governor acknowledged the Central Bank's awareness of Al-Fadhli's designation and said that in response to the Embassy's earlier request they already had forwarded the details to the MFA to pass to Embassy. (Note: At the time of the discussion the Embassy had not received the information from the MFA. In a follow up call to DCM, Americas Department Director Ambassador Khalid Al-Babtain reported that the Central Bank had frozen at least one account in Al-Fadhli's name containing KD5300 - about \$18,500. End Note).

Development Fund for Iraq

13. (S) Glaser next inquired about the status of the \$78 million in frozen Iraqi assets that Kuwait is required to transfer to the Development Fund for Iraq (DFI) under UNSCR 1483 (Refs D, G and H). He asked when the transfer could be expected to happen. The Governor expressed some surprise to this question, responding that the Kuwaitis had been prepared to transfer the funds to the DFI but were asked by (former) OFAC Director Richard Newcomb to delay the transfer. The Governor was unable to recall when Director Newcomb made this request and suggested contacting the MFA for more details. (Note: Also on April 17, Ambassador reviewed with MFA U/S Khalid Al-Jarallah Embassy's earlier queries regarding these frozen assets. U/S Al-Jarallah suggested that a provision of UNSR 1483 exempted from transfer funds subject to claims and suggested the possibility of claims against these funds by Kuwaiti entities. On April 18, Ambassador provided to Al-Jarallah a fax message with information from DAS Glaser clarifying that only claims with a judgment prior to UNSCR 1483's adoption on May 22, 2003, could be made against the asset. Ambassador followed up with a call to Al-Jarallah reiterating the need for the prompt action pledged by U/S Al-Jarallah during the April 17 meeting (Ref A). End Note).

Current and Proposed Terrorist Financing Laws in Kuwait

14. (C) Based on information gained during an earlier meeting at the Ministry of Social Affairs and Labor (reported septel), Glaser asked the Governor about the recent focus on regulating charities in Kuwait and what oversight responsibilities the Central Bank has on these charities. The Governor explained that all banks must submit monthly reports to the Central Bank on all fund transfers made by charities. He added that the chairmanship of the AML/CFT committee was recently transferred from the Ministry of Finance to the Central Bank. Per Cabinet Resolution 868, he continued, all charities must have written permission from the Ministry of Social Affairs before funds can be transferred outside of Kuwait. He did clarify that the approximately 40 exchange houses in Kuwait are allowed to send money abroad, but these transactions are under the supervision of the Central Bank. The new concern, he said, is individuals who circumvent the charities by collecting the money themselves and using their personal accounts to transfer the funds outside of Kuwait. There is no easy solution to this problem, he concluded, since it's almost impossible to monitor every transaction made through personal accounts.

15. (S) When asked about the Central Bank's involvement in the drafting of Kuwait's new terrorist financing legislation, the Governor confirmed that his office is part of the committee drafting the law. (Note: The committee drafting new terrorist financing is different than the AML/CFT committee. End Note). Glaser mentioned two key concerns that his office has with Kuwait's current laws: that the Bank's Financial Intelligence Unit (FIU) is not allowed to share information with other entities without the permission of the public prosecutor's office (which has prevented the U.S. from sponsoring Kuwait's membership in the Egmont Group) and that Kuwait has no legislation specifically criminalizing terrorist financing.

16. (U) Glaser presented to the Governor English and Arabic copies of the International Monetary Fund's "Suppressing the Financing of Terrorism: A Handbook for Legislative Drafting," explaining that the book has good information on international standards for terrorist financing laws. He also offered Treasury assistance for drafting Kuwait's new terrorist financing legislation.

17. (S) The Ambassador mentioned that a team from the Department of Justice would be coming to Kuwait soon and offered to have them meet with the Central Bank to discuss any proposed terrorist financing that Kuwait is considering. The Governor readily accepted this offer and the Ambassador said that the Embassy would contact the Central Bank to schedule the meeting.

Request from the U.S. Attorney's Office

18. (S) The meeting concluded with a request for assistance from the U.S Attorney for the Eastern District of Virginia. Glaser provided the Governor with a copy of the U.S Attorney's written request, explaining that the U.S Attorney's office is currently investigating individuals in the Northern Virginia area and that some of the suspicious transactions went through Kuwait. The U.S. Attorney's office is asking Kuwait to provide specific information on these transactions and the accounts involved. While expressing willingness to help, the Governor qualified that the Central Bank would have to receive permission from the Ministry of Justice prior to releasing any information. He suggested that a copy of the request be presented to Kuwait's Attorney General. Any information provided by the Kuwaitis in response to this request will be reported septel.

Meeting with the Attorney General

19. (C) Also on April 17 DAS Glaser met with Riyad Al-Hajri, the Attorney General in the Money Prosecution Department of the Ministry of Justice. When asked about his role in the drafting of new anti-money laundering/terrorist financing laws, Al-Hajri said that his office leads the committee that is drafting the new legislation. (Note: this is a separate committee from the AML/CFT committee. Al-Hajri is a member of both committees. End Note).

10. (U) DAS Glaser presented to Al-Hajri English and Arabic copies of the International Monetary Fund's "Suppressing the Financing of Terrorism: A Handbook for Legislative Drafting," explaining that the book has good information on international standards for terrorist financing laws. Al-Hajri admitted that he supports the idea of the Kuwaiti FIU taking part in the international community, but recognized that there are no laws to allow for such cooperation at the moment.

11. (C) DAS Glaser also provided a copy of the written

request from the U.S. Attorney for the Eastern District of Virginia to Al-Hajri, explaining that the U.S. Attorney's office is currently investigating individuals in Northern Virginia and that some suspicious transactions went through Kuwait. Al-Hajri agreed to review the request and would provide any releasable information to the Embassy.

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